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September 21, 2005

U.S. Department of Energy
Attn: Joe Eto and Alison Silverstein
Sent via E-mail to: Economic.Dispatch@hq.doe.gov

Re: Energy Policy Act of 2005, Section 1234 Economic Dispatch Study Questions for Stakeholders

The Staff of the New York State Department of Public Service (DPS Staff) welcomes the opportunity to submit comments on the Department of Energy's (DOE) inquiry into how economic dispatch is now practiced, and how it might be changed in the future. Under the Energy Policy Act of 2005 (2005 EPA), the DOE, in coordination and consultation with the States, is required to conduct a study on the benefits of economic dispatch in the electricity industry.[1] In particular, the 2005 EPA directs DOE to study:

> (1) the procedures currently used by electric utilities to perform economic dispatch;
> (2) possible revisions to those procedures to improve the ability of nonutility generation resources to offer their output for sale for the purpose of inclusion in economic dispatch; and,
> (3) the potential benefits to residential, commercial and industrial electricity consumers nationally and in each State if economic dispatch procedures were revised to improve the ability of nonutility generation resources to offer their output for inclusion in economic dispatch.

The 2005 EPA also directs DOE to report the results of its study to Congress and the States, including recommendations for legislative or regulatory changes. To assist DOE with its

[1] Section 1234 of the Energy Policy Act defines economic dispatch as "the operation of generation facilities to produce energy at the lowest cost to reliably serve consumers, recognizing any operational limits of generation and transmission facilities."

responsibilities under the 2005 EPA, DPS Staff offers the following responses to the six questions posed for stakeholder comment.

Question 1: What are the procedures now used in your region for economic dispatch? Who is performing the dispatch (a utility, an ISO or RTO, or other) and over how large an area (geographic scope, MW load, MW generation resources, number of retail customers within the dispatch area)?

Currently, the New York Independent System Operator, Inc. (NYISO) performs economic dispatch for the entire state of New York. This dispatch over the New York control region covers a peak load of over 32,000 MW, generation resources of over 39,000 MW, and approximately 7.4 million retail customers. The NYISO dispatches generation resources based upon least-cost bids, while meeting all reliability rules and generator performance constraints (i.e., security constrained dispatch).

Question 2: Is the Act's definition of economic dispatch (see above) appropriate? Over what geographic scale or area should economic dispatch be practiced? Besides cost and reliability, are there any other factors or considerations that should be considered in economic dispatch, and why?

The definition of economic dispatch contained in the 2005 EPA is consistent with the approach used by the NYISO and, therefore, is sufficient. This definition appropriately factors operational limits of generation and transmission facilities, in addition to cost and reliability, to adequately reflect the constraints of these facilities.

While economic dispatch should be performed for each control region, such as ISOs and Regional Transmission Organizations (RTO), it should be recognized that opportunities exist to enhance economic dispatch by coordinating and optimizing economic dispatch decisions between adjacent control regions.

Question 3: How do economic dispatch procedures differ for different classes of generation, including utility-owned versus non-utility generation?

While dispatch procedures must, for reliability purposes, be designed to recognize the physical and operating characteristics for different types of generation, without regard to whether

they are "utility" or "non-utility" owned, this is not an issue for New York, where virtually all generation units have been divested from investor-owned utilities and are "non-utility" owned.

Question 4: What changes in economic dispatch procedures would lead to more non-utility generator dispatch?

While improvements in modeling through time can enhance the benefits of economic dispatch for various types of generation (e.g., combined cycle and wind), including both "utility" and "non-utility" owned units alike, this is not an issue for New York, where virtually all generation is "non-utility" owned.

Question 5: If economic dispatch causes greater dispatch and use of non-utility generation, what effects might this have – on the grid, on the mix of energy and capacity available to retail customers, to energy prices and costs, to environmental emissions, or other impacts?

This is not an issue for New York, where virtually all generation is "non-utility" owned.

Question 6: Could there be any implications for grid reliability – positive or negative – from greater use of economic dispatch?

Economic dispatch, as performed by the NYISO, has not adversely affected grid reliability and, in fact, appears to have actually improved reliability by financially encouraging generators to be available when supply needs are the greatest. Similarly, if economic dispatch could be expanded to a multi-ISO/RTO basis, there is no reason why reliability could not be maintained or improved.

If you have any questions regarding the above information, please feel free to contact me at the number below. Thank you in advance for your consideration of these comments.

Very truly yours,

/s/

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